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NOTES.

A. MARSHALL ON ECONOMICS FOR BUSINESS MEN.

THE creation of scholarships for Americans at Oxford by Cecil Rhodes suggested to many that, so far as economics was concerned, English universities offered little or no inducement for American students. Must there not be an awakening of Oxford to the demands of modern learning if these scholarships were to be properly filled? At the same time, the comparisons daily drawn between the relative industrial growths of Germany, Great Britain, and the United States, also drew attention to the comparatively little attention given to economic studies in English institutions of learning. If England is to hold her own in industry she must not fall behind in economic education. In fact, the same problems have been forcing themselves on English universities which have been agitating our own, although we have, in American fashion, made more rapid progress in carrying out our plans than have the English.

Professor Alfred Marshall, the first of English economists, has very recently expressed himself on the relation of economic training to England's¹ industrial future; and his opinions upon the proper aims of an education suited to men of affairs, and the subjects to be studied, have a very pertinent bearing upon the experiments now being tried in American universities. In his opinion, "Every university must consider from time to time whether its scheme of study and teaching is adequate to present needs."

Today a student in economics at Cambridge, by the best route, should give himself in the first two years to Part I of the Historical Tripos, and then follow that with Part II of the Moral Science Tripos. But much of the first part is naturally given to mediæval history; the examination by two different boards could not be satisfactory; and the necessary appearance of one economist among the examiners is inadequate in view of the accepted fact that "economics is too large a subject for any one person to examine well in the whole of it." Moreover,

¹ *A Plea for the Creation of a Curriculum in Economics and Associated Branches of Political Science, addressed to the Senate of Cambridge University.* April 7, 1902.

Professor Marshall holds, "no sound and realistic study of economics can be compressed into a three years' course with mental science." Certainly the opportunities for thorough training in both the theory and practical workings of economics are very much greater today in this country than in England, even with the recent creations at London, Birmingham, Owens College, and elsewhere.

As to the relation of economic studies to national welfare, Professor Marshall says :

In the United States, in Germany, and elsewhere, great numbers of business men and Government officials have studied economics at the universities, and have thus learnt to consider particulars in relation to general principles. They are quick to see how the results of their experience may be serviceable to the public, and to make clear to others what they have learnt from life. But such men are rare in England.

And yet in England, as elsewhere, economic and social considerations are acquiring an ever-increasing influence over thought and action. The Legislature, the Executive, and even the Diplomatic Corps of all countries of the modern world are often occupied with economic issues half their time. None of these issues are quite like those of old days. Many of them are entirely new. And, in spite of the great advance of historical knowledge, the present age has to solve its own economic problems for itself, with less aid from the experience of the past than has been available for any other age. The causes which have made practical economic problems occupy so large a part of the attention of thoughtful men of all classes are mainly the same as those which have moved these problems away from the experience of earlier times. Among the most prominent of them is the rapid extension of international relations.

The increase of wealth and the quickening and cheapening of means of communication has made every country more sensitive to the economic movements of its neighbours ; and the term "neighbours" is ever obtaining a wider significance, partly as a result of expansion of empires across the ocean until their frontiers march together in all quarters of the globe. Peace and war have long been governed mainly by the prevailing opinions, true or false, as to national interests and international rivalries in distant fields of commerce, actual and potential. But it is only recently that dependence on distant sources of supply for food and raw produce has made England's continued existence depend on her keeping pace with the forward economic movement of nations against whom she may need to measure her force. In fact England is not, and probably never again will be, completely mistress in her own house. She is not free to weigh the true benefits of a higher culture or a more leisurely life against the material gains of increased economic

vigour, without reference to the rate at which the sinews of war are growing elsewhere.

In the seventeenth century Dutch writers boasted that ten of their countrymen in a Dutch vessel would work as much trade as twenty of any other nation. In the first half of the nineteenth century we could boast that ten of our countrymen could do as much in almost any branch of industry as twenty foreigners, because they were better fed and equipped with better appliances. But as the century wore on, the shackles of political despotism were loosened on the Continent; and when 1871 had seen the close of the wars in Western Europe, there grew up a generation of workers who turned their increasing command over nature to account in providing the two sources of energy—better food and better education. A great part of our working population was already fairly well fed; and we turned our growing wealth to less good account. Our education has improved very slowly; and our physical energy, though perhaps on the whole as great as ever, is certainly less relatively to that of other northern nations than it was even half a century ago, while there has perhaps been some decline in our willingness to exert ourselves. We are no longer at the high premium at which we were for those operations in iron works, etc., which require exceptional powers of endurance; and in manual skill we have been nearly overtaken by several nations who were far behind us. Our great store of wealth has given us an advantage; and it is increasing as fast as ever. But, after deducting land, it is even now less than ten years' income; and we should quickly be passed by rivals still some way behind us, if their productive energy were a little greater than our own, and their mode of living a little more sparing. Thirty years ago it was expected that the beginning of this century would see the white population of the British Empire greater than that of the German; but this hope has been disappointed. If similar changes continue for long, and go much further, our surplus of revenue over expenditure, available for naval and military use, will be less than that of Germany.

But, urgent as is this study of the causes of "the wealth of nations" in connection with political stability, it is even more urgent in connection with the quality of life. The present age is indeed a very critical one, full of hope but also of anxiety. Economic and social forces capable of being turned to good account were never so strong as now; but they have seldom been so uncertain in their operation. Especially is this true of the rapid growth of the power and inclination of the working classes to use political and semi-political machinery for the regulation of industry. That may be a great good if well guided. But it may work grave injury to them, as well as to the rest of the nation, if guided by unscrupulous and ambitious men, or even by unselfish enthusiasts with narrow range of vision. Such persons have the field too much to themselves. There is need for a larger number of sym-

pathetic students who have studied working class problems in a scientific spirit; and who, in later years, when their knowledge of life is deeper, and their sense of proportion is more disciplined, will be qualified to go to the root of the urgent social issues of their day, and to lay bare the ultimate as well as the immediate results of plausible proposals for social reform.

For instance, partly under English influence, some Australasian colonies are making bold ventures which hold out specious promise of greater immediate comfort and ease to the workers. But very little study of these schemes has been made of the same kind, or even by the same order of mind as is applied to judging a new design for a battleship with reference to her stability in bad weather; and yet the risks taken are much graver. Australasia has indeed a large reserve of borrowing power in her vast landed property; and, should the proposed short cuts issue in some industrial decadence, the fall may be slight and temporary. But it is already being urged that England should move on similar lines, and a fall for her would be more serious.

We need, then, to watch more carefully the reciprocal influences which character and earnings, methods of employment, and habits of expenditure exert on one another. We need to see how the efficiency of a nation is affected by and affects the confidences and affections which hold together the members of each economic group—the family, employers and employees in the same business, citizens of the same country. We need to analyse the good and evil that are mingled in the individual unselfishness and the class selfishness of professional etiquette and of trade union customs. We need to study how growing wealth and opportunities may best be turned to account for the true wellbeing of the present and coming generations.

A most interesting part of his presentation relates to the needs of those who are on the way to an active career in business, or in public administration, as follows:

Among the many changes in the methods of business of the present age, two stand out clearly; a tendency towards increased specialization in the work of subordinates; and a tendency towards greater breadth and diminished specialization in the work of heads of business, of directors of companies, and of the higher public officials. Other institutions can give a technical training, suitable for the lower ranks of business more easily than we can, and with less harm to themselves. But we are well placed for giving a broad education which will bear directly on the larger management of affairs, and for adding to it that training of personal character which is offered by life at Oxford and Cambridge.

Business men generally recognize the importance of this human training. But they complain that the studies of Oxford and Cambridge almost ignore those questions in which their sons will be most interested in after years; and that they are tempted to lead too easy a life here from the lack of an oppor-

tunity of distinguishing themselves by work that is congenial to them. In so far as this is the case, even those who believe that the older studies give the best possible education to students during their university career will probably admit that we are in fault. I myself think that the higher study of economics gives as good a mental training, its breadth and depth being taken together, as any other study; and that, in addition, it develops the human sympathies in an exceptional degree. But even should this not be conceded, economics may yet claim a first place among university studies if account be taken of the mental activities in after-life which may result from a thorough study of it here.

The shafts and galleries of a mine are a scientific museum and laboratory to a colliery manager who has made a thorough study of geology: his mind grows with his work, and he may increase the world's wealth of knowledge. But if the same man had neglected geology, and pursued here other studies, his B.A. degree would not improbably have been the end, instead of the starting point, of the chief intellectual work and interests of his life. As geology is related to mining, so is economics to general business. A Grote, or a Lubbock may harvest rich fields of thought remote from their business; and a Siemens may work in the field of physics with both hands. But yet there remain many business men whose experiences in later life are likely to be turned to much higher account for themselves and for the world by an early study of economics than by any other training.

The business man who is not only a merchant but also an employer of labour, needs to know the real life of the people. His primary relations with his workmen lie in the exchange of pay for labour. But he is likely to fall short even as profit-winner, and he certainly cannot be a good citizen, unless he has thought and cared much about those sides of his work-people's life and character which are, at most, indirectly reflected in the wages bargain. To learn this from personal contact is ever more difficult for the large employer: he is separated from the mass of the workers by too many strata of subordinates. But broad economic studies will have prepared him to look at the problems of employment from the point of view of the employee as carefully as from that of the employer. Experience shows that this training helps him to see the drift of the complaints urged by his men, and to make concessions quickly and cordially to such as are reasonable. And especially will this be the case if he has combined with his studies that social training which is afforded by the life of a residentiary university of the Anglo-Saxon type.

For such a life draws out the faculties that are needed in the social relations of those who have to deal with large bodies of men and large public interests. On the river and in the football field the student learns to bear and to forbear, to obey and to command. Constant discussion sharpens his wits; it makes him ready and resourceful; it helps him to enter into the

points of view of others, and to explain his own ; and it trains his sense of proportion as regards things and movements and persons, and especially as regards himself.

Again, directors of joint-stock companies, and members of executive committees of County and City Councils, are called on to decide questions of broad policy in relation to business affairs of which they have not had much specific experience, even if they happen to be established in business on their own account. While leaving even the larger details to salaried officials, it will be their part to bring to bear broad, strong, well-balanced judgments, insight into character, tact in managing men, and fine intuition as to when to take risks and when not.

And nearly the same thing may be said with regard to those who as public officials, as ministers of religion, as the owners of land or cottage property, or in any other private capacity, will be largely concerned with "the condition of the people question," with public and private charity, with co-operation and other methods of self-help, with harmonies and discords between different industrial classes, and with the problems of conciliation and arbitration in industrial conflicts which are ever assuming larger proportions. Those who are nearest to these conflicts can seldom be perfectly impartial arbitrators ; and there is here a special call for men who have received a sound training in economics and in political science, and can bring to bear that elasticity of mind and that quickness of sympathy with aspirations and ideals that are not their own, which it is the privilege of a residentiary university to foster.

The petition that provision may be made for a thorough study here of economics and associated branches of political science, is then based mainly on three considerations. One is, that economic issues are growing in urgency and in intricacy, and that economic causes exert an increasing control on the quality of human life. Another is, that such studies offer abundant scope for the training and the exercise of those mental faculties and energies which it is the special province of a university to develop. The third is, that those who are looking forward to a business career or to public life are likely to be preferentially attracted to a residentiary university which offers a good intellectual training and opportunities for distinction in subjects that will bear on their thoughts and actions in after-life.

It is not suggested that a technical preparation for business should be given here ; nor that those looking forward to public life should leave Cambridge provided with ready-made opinions on controverted issues of the day. It is suggested merely that economists should be able to obtain here a three years' scientific training of the same character and on the same general lines as that given to physicists, to physiologists, or engineers.

On the pedagogical question of how to accomplish the given end by a curriculum, he adds :

The economist requires a broad knowledge of the history of his own country and of others which are in close contact with it, especially in recent times; of the structure and functions of the modern state; and of the legal form of those rights and obligations the basis of which lies chiefly in economic conditions.

They need to give their main attention to that marvellous simultaneity of political, social, and economic developments in the modern world, which results from telegraphic and other means of communication; and by which the twentieth century seems likely to be dominated. . . . The economist needs so large an acquaintance with existing conditions and their nearer antecedents that he cannot spare any of his short three years for a detailed study of remote history. He must train his sense of historical evolution, as best he may, in a careful study of recent events aided by some general knowledge of the broader movements of earlier times.

Although economics is based on observation, yet it has an advantage over most physical sciences. For the student starts with a considerable knowledge of the facts on which economics rests. He is acquainted with the main springs of action in the ordinary affairs of life; he can follow illustrations drawn from the more prominent industries and trades and so on; and he should turn this advantage to full account. He should at once set on a course of reasoning and analysis, obtaining from familiar facts the matter on which his mind can work. He should begin to disentangle the interwoven effects of complex causes. He should learn how things which seem alike and are called by the same name, are often really dissimilar; and how those which seem dissimilar and are called by different names, are often fundamentally alike. He should seek for the Many in the One, and the One in the Many—a task in which skill is to be acquired only by long practice, unless, indeed the student has rare natural genius, or has mastered some branch of physical science. This task should afford the main exercise to his mind from the very first; and should be supplemented by the less fatiguing work of increasing his knowledge of appropriate facts of all kinds.

Of course only those facts should be studied which are strictly necessary to give reality and a sense of proportion to the student's thought. But the scientific treatment of many economic problems requires a much more thorough knowledge of recent and existing conditions than has hitherto been generally possessed by our ablest students.

One chief weakness of the present study of economics in Cambridge is that it is perforce insular: time does not suffice to make it international.

It is becoming the fashion to allot a large place to geography in modern economic teaching. That may be carried too far. But much may be gained by a broad, general study of the economic influences which mountains and watersheds, roads, railroads, rivers, and seas exert on life and work; and of

the geographical distribution of the resources and methods of agriculture, mining, manufactures, and transport. This would prepare the way for an analysis of the interactions of the material and the human elements in the prosperity of cities, of industrial districts, and of nations.

Passing thus from the material conditions of work to the human, the student should, with a similar use of the international comparative method, make a broad and non-technical study of the recent development and the present position of (*a*) The structure of manufacturing and other industries; the causes and results of the development of machinery, and of man's general command over nature; the expansion of joint-stock companies, the growth and working of trading combinations and monopolies, and of railways, &c.: (*b*) Organized markets for goods and for credit; monetary and banking systems; stock exchanges; commercial fluctuations; (*c*) Methods of employment, relations between employers and employees, trade unions, &c.; methods of tenure of land and other real property, and their social results: (*d*) Earnings, nominal and real, of various industrial classes; and the use made of these earnings; housing, the standard of life, &c.: (*e*) The course of international trade, and the mutual interaction of foreign commerce and national industrial character: (*f*) Systems of taxation, central and local: (*g*) Regulative influences exerted by public authority and public opinion over the economic conditions of life and work; and over the supply of water, electricity, the means of transport, and other uses of large public rights: (*h*) Constructive intervention of authority in economic matters; Government undertakings.

Lastly, so far as material is accessible, a study should be made of the socio-economic ideals of different nations.

This larger inductive study would be combined with deeper analysis and more thorough construction. The simpler interactions of commingled causes being now taken for granted, attention would be given to the more complex: and thus the study would become truly realistic.

For nature does not have separate compartments for wages and for profits; for the influence of railway and of banking systems; for the effects of monopolistic combinations, of trade unions, and of international trade competition; for credit fluctuations, and for unemployment and poor relief. The effects of every cause spread in every direction; commingle with other effects, modify them and are modified by them; and become in their turn new causes, reacting on and modifying the conditions by which they were themselves produced.

The more advanced work of the student would thus be given chiefly to the difficulties arising from the breadth of his problems. But part would need to be given to narrower difficulties. Such are for instance some intricate problems relating to currency, to monopoly prices, to railway charges, and the incidence of taxation. Again, some study should be given to valuation

and allowance for depreciation, with special reference to goodwill and other things, the values of which are not directly indicated by market competition: for, in consequence of the modern tendency towards the investment of public and semi-public funds in slippery properties of this kind the very difficult questions connected with them are growing in interest and importance.

Elements of statistical method should be studied early; but mathematical work in statistics should be united with mathematical versions of pure economic theory as an optional subject at the end of the course.

The history of economic doctrine should be another optional subject.

And lastly, though the question is not free from difficulties, some of which lie outside of my province, and though more than three years are already bespoken, I think that perhaps room should be found for the optional study of the principles of those branches of law, the policy of which is mainly governed by economic considerations. Such are laws relating to contract generally, landlord and tenant, joint-stock companies, bankruptcy, patents, monopolies, combinations in restraint of trade, factory and labour legislation generally.

It is indeed a chief part of the work of the economist to consider the regulative functions of Government as regards such matters. In consequence, the studies of economics and law are associated in the same faculty in the universities of many countries: and where that is not done, as in north Germany, it is customary for students of law to attend some lectures on economics, and *vice versa*. In fact this appears to be the only western country in which the two studies have been entirely dissociated.

I speak with a view to those students whose interests are mainly economic. I hope that this scheme may be extended by the addition of a few papers on political science, including international law, for the benefit of students who are looking forward to a political career (including diplomacy in its economic relations), who wish to give about half their time to economics, and the other half to recent general history and political science.

THE RECLASSIFICATION OF THE PAPER CURRENCY.

THE purpose of the act of March 14, 1900, was, in addition to reaffirming the gold standard, to systematize the currency of the United States and provide a distinctive field for the circulation of silver certificates. Two years have passed, and it is interesting to inquire how far the process has gone on and to what extent the purposes of the act have been carried out.

Prior to the act the various forms of currency were issued in denominations of one dollar and upwards. Under the act, February